



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Debra Figone

**SUBJECT:** 2010-2011 PRELIMINARY  
GENERAL FUND FORECAST

**DATE:** October 30, 2009

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## REASON FOR SUPPLEMENTAL

To transmit the 2010-2011 Preliminary General Fund Forecast as discussed in the Memorandum titled "2010-2011 Budget Planning Meeting", dated October 26, 2009. This document is to be inserted in Tab 1 of the meeting materials.

## EXECUTIVE SUMMARY

The City Manager's Budget Office has completed a 2010-2011 Preliminary General Fund Forecast that will be used as an initial planning tool in the development of the 2010-2011 Proposed Budget. The fiscal outlook for the City continues to remain dismal as reflected in the very sizeable General Fund shortfall projected for 2010-2011. Fiscal Year 2010-2011 will represent not only the ninth consecutive year of General Fund shortfalls, but also the largest gap the City has confronted in any single year since 2002-2003. It must also be emphasized that this is a very preliminary forecast provided in a time of unprecedented economic uncertainty and with limited data available for 2009-2010. This Forecast will need to be updated as additional information becomes available about the impact of the economy on the revenue streams that fund the City's General Fund operations.

Following are the major highlights of the preliminary Forecast:

- A shortfall of \$96.4 million is projected for 2010-2011, which is above the most recent estimate of \$91.6 million developed at the time the 2009-2010 Budget was adopted. This updated budget gap for 2010-2011 represents 10.8% of the projected expenditures for next year. The increase in the shortfall reflects the net impact of lower estimated expenditure levels (\$29.4 million) that are more than offset by lower projected revenue levels (\$34.2 million). The most significant changes include: net downward adjustments to a number of the economically sensitive revenue estimates and the 2009-2010 Ending Fund Balance/2010-2011 Beginning Fund Balance assumption; downward adjustments to the revenue and expenditure estimates for the Development Fee Programs; lower cost assumptions for the increased retirement contributions necessary in 2010-2011; and lower base costs resulting from the analysis of actual expenditure trends and updated debt service costs.
- "Committed Additions" are projected to total \$7.8 million, primarily reflecting the cost of 25 additional Police Officers and anticipated maintenance and operating costs for new capital projects now in the Adopted Capital Improvement Program. These include bond-financed libraries, community centers, parks and public safety facilities.

**EXECUTIVE SUMMARY (CONT'D.)**

- Approved in the 2009-2010 Adopted Budget, the Forecast incorporates service reductions totaling \$7.2 million and the elimination of 71.9 positions that are effective July, 2010.
- It is important to note that this preliminary Forecast does not reflect: potential State budget actions; unmet/deferred infrastructure and maintenance needs; potential impacts from San José Redevelopment Agency budget balancing actions; and the financial impacts associated with planned County annexations. It also does not factor in one-time revenue sources or one-time expenditure needs.
- The preliminary Forecast will be refined over the next several months as additional information becomes available. The formal 2011-2015 General Fund Five-Year Forecast will be issued in February 2010 and updated base budget revenue and expenditure estimates will be included in that document. Base budget estimates will continue to be refined through the release of the City Manager's 2010-2011 Proposed Budget that is scheduled to be released in May, 2010.

**BACKGROUND**

The City Manager's Budget Office has completed its very early projections on the status of the General Fund for the next fiscal year. This preliminary Forecast provides a starting point in the initial planning for the development of the 2010-2011 Proposed Budget. It is designed to provide an order of magnitude of the projected shortfall for the upcoming fiscal year.

The revenue and expenditure estimates update the figures that were last presented in the 2010-2014 General Fund Five-Year Forecast issued in February 2009 and updated through the 2009-2010 Adopted Budget. The projections reflect the following: actual 2008-2009 revenue and expenditure performance; year-end 2009-2010 revenue and expenditure projections based on activity through the first quarter of the current fiscal year and revised expectations on economic performance; updated salary, benefit and other cost information; and committed additions, such as the operating and maintenance impact of capital projects that are scheduled to come on-line over the next year and the addition of 25 Police Officer positions.

**ANALYSIS**

**Overview**

The following table displays the projected General Fund revenues and expenditures for 2010-2011 as well as the resulting \$96.4 million General Fund budget shortfall.

**2010-2011 PRELIMINARY GENERAL FUND FORECAST**

	(\$/millions)
2010-2011 General Fund Source of Funds	\$ 798.36
2010-2011 General Fund Use of Funds	\$ 894.78
<b>2010-2011 Projected Budget Shortfall</b>	<b>(\$ 96.42)</b>

## **ANALYSIS (CONT'D.)**

### **Overview (Cont'd.)**

The 2010-2011 Preliminary Forecast shortfall of \$96.42 million is significantly higher than the \$36.74 million budget gap projected for 2010-2011 in the February 2009 General Fund Forecast. The shortfall figure is also above the \$91.57 million deficit projected in June 2009 at the time the 2009-2010 Adopted Budget was approved. The increase in the shortfall from the February 2009 Forecast is primarily the result of the estimated increase in the pension plan contributions. Other factors that have impacted the budget shortfall figure include the small ongoing impacts associated with 2009-2010 Adopted Budget actions as well as the most recent review of revenues and expenditures for 2010-2011 as shown in the chart below.

#### **CHANGE IN THE 2010-2011 PRELIMINARY GENERAL FUND FORECAST (FROM FEBRUARY 2009 TO OCTOBER 2009)**

<b>Ongoing Funds Available (Shortfall)</b>	<b>(\$/millions)</b>
February 2009 Forecast for 2010-2011	(36.74)
Estimated Pension Plan Increase (March 2009)	(51.70)
2009-2010 Adopted Budget Impact	(3.13)
<b>June 2009 Projected Budget Shortfall</b>	<b>(91.57)</b>
October 2009 Adjustments	(4.85)
<b>October 2009 Projected Budget Shortfall</b>	<b>(96.42)</b>

From June 2009 to this October 2009 Forecast, the projected General Fund shortfall for 2010-2011 has increased by \$4.8 million, reflecting the net impact of lower projected revenue levels (\$34.2 million) only partially offset by lower estimated expenditure levels (\$29.4 million). Following is a summary of the major factors that have resulted in this change:

#### *Negative Factors (Increasing the Shortfall)*

- A net downward adjustment of \$20.7 million to the revenue estimates based on actual 2008-2009 performance and revised expectations for 2009-2010 and 2010-2011. The largest adjustment was in the Sales Tax category, which was reduced by \$13.6 million. This downward adjustment reflects the lower than projected actual collections in 2008-2009 as well as a lower growth assumption for 2010-2011. (It should be noted that the \$20.7 million reduction in revenue does not include the \$5.9 million reduction to the Development Fee Programs revenue estimates incorporated into this Forecast that are completely offset by lower Development Fee Program expenditures.)
- A downward adjustment of \$7.6 million to the 2009-2010 Ending Fund Balance/2010-2011 Beginning Fund Balance estimate based on the assumption that the current year performance will yield expenditure savings of 1.5%, but will not generate excess revenue to carry over to 2010-2011. In the February 2009 Forecast, excess revenue was estimated at 1% and expenditure savings were estimated at 1.5% of the projected budget for 2010-2011.

## **ANALYSIS (CONT'D.)**

### **Overview (Cont'd.)**

- Increases in specific expenditure items, including the following: an increase to personal services costs associated with lower vacancy savings rates (\$1.5 million); an increase to the Hayes Mansion subsidy (\$1.8 million, bringing the annual subsidy to \$5.9 million); and an increase associated with an additional year of staff costs associated with the Comprehensive General Plan Update (\$1.2 million).

### *Positive Factors (Reducing the Shortfall)*

- The projected increase in the City's retirement contributions assumed for 2010-2011 is lower than originally assumed. In March 2009, a very preliminary estimate on the increase in the City's retirement contributions for 2010-2011 totaled \$51.7 million. This figure has been reduced by \$13.5 million, to a total increase of \$38.2 million estimated for 2010-2011. It is important to note that the retirement contribution rates included in this Forecast are still preliminary. The final retirement contribution rates are subject to approval by the two Retirement Boards, which is expected to occur in time to be included in the final 2011-2015 General Fund Forecast document released in February, 2010.
- A net decrease in budgeted expenditures based on the most recent review of base budget costs and actual expenditure trends.
- A decrease of \$2.75 million in debt service costs for City properties due to lower interest rate assumptions.

### **Major Forecast Components**

The three major components of the General Fund Forecast include the following: 1) revenue projections; 2) projections on the cost of delivering existing services; and 3) projections on the cost of delivering additional services to which the City is currently committed, primarily the operating costs of new facilities scheduled to come on-line in the next year. Following is a discussion of each of those components.

### ***General Fund Revenues***

The General Fund revenue estimates for 2010-2011 were prepared by analyzing over 500 individual revenue accounts. This includes reviewing actual collection trends, developing revenue growth assumptions based on current economic conditions, evaluating any available information on future rate increases/activity trends that would impact the City's revenues, and updating reimbursement-related revenues based on projected costs. Preparing the revenue projections for 2010-2011 has been particularly challenging given the current economic volatility and the limited, and in some cases no, data available for 2009-2010.

## ANALYSIS (CONT'D.)

### Major Forecast Components (Cont'd.)

The 2010-2011 Preliminary General Fund Forecast is based on the expectation that the economy will remain extremely weak through 2009-2010 with slight improvement projected in 2010-2011. While the worst recession since the Great Depression may technically be over, the factors which drive the City's revenues continue to remain at or near their recessionary levels: As of September 2009, more than 50,000 jobs have been lost in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area and the unemployment rate stands at 11.8%, just below the August 2009 peak of 12.1%; the value of building permits issued in 2009 is at a thirty-year low and while, at \$485,000, the median price of a single-family home has increased almost 20% since February 2009, it remains over 37% below its value at the market top in June 2007; and finally, passenger traffic at the Airport was down over 17% in July and August compared with a year ago.

The negative impacts from the economic downturn are expected to continue to drive down many of the City's economically sensitive revenues through 2009-2010, with slight growth assumed in some of these categories (Sales Tax, Transient Occupancy Tax, Motor Vehicle In-Lieu) in 2010-2011. Following is a brief summary of the assumptions used for the City's largest two General Fund revenue sources, Property Tax and Sales Tax, along with the 2009-2010 Ending Fund Balance/2010-2011 Beginning Fund Balance estimate:

- *Property Tax:* It is assumed that Property Tax revenues will end the year 4.9% below 2008-2009 actual collections and will decline an additional 0.4% in 2010-2011 to a total level of \$199.7 million. For the Secured Property Tax category, receipts are expected to decline 3.5% in 2009-2010 and an additional 0.5% in 2010-2011 based on preliminary information from the County of Santa Clara on 2009-2010 collections and the change in the Consumer Price Index (CPI) from the prior year, which is used as a primary driver in the Secured Property Tax calculations. As of August 2009, the CPI was down 1.1% from the prior year. This figure will be refined through October and is expected to show a decline of less than 1% by month end.
- *Sales Tax:* It is assumed that Sales Tax receipts will drop 5% in 2009-2010 from the 2008-2009 collection level with slight growth of 2% resuming in 2010-2011. The projected drop in 2009-2010 follows the 14.3% drop experienced in 2008-2009. To develop this estimate of \$127.5 million, staff analyzed actual 2008-2009 performance and reviewed the economic forecasts provided by MuniServices, the City's Sales Tax consultant, as well as Beacon Economics and the UCLA Anderson School.
- *2009-2010 Ending Fund Balance/2010-2011 Beginning Fund Balance:* Each year, it is expected that an ongoing amount of expenditure savings and excess revenue from the current year will be available in the following year. Given the current economic environment, however, only 2009-2010 expenditure savings of 1.5% are assumed to be available as a funding source for 2010-2011. Revenue collections are currently expected to be only at or slightly below budgeted levels.

## **ANALYSIS (CONT'D.)**

### **Major Forecast Components (Cont'd.)**

In addition to the economically sensitive revenues, there are a number of revenue sources that are primarily impacted by other factors, such as rate changes and reimbursement-related costs. For those categories, such as Utility Taxes, Franchise Fees, and Transfers and Reimbursements, the revenue estimates have been developed based on the available information on anticipated rate adjustments and costs. For the Development Fee Programs, the revenue estimates have been reduced significantly (\$5.9 million) from the 2009-2010 Adopted Budget levels based on the lack of activity in these areas. To keep revenues and expenditures in alignment based on the 100% cost recovery goals for these programs, the expenditure budgets for these programs have also been reduced significantly for a net-zero impact on the General Fund Forecast.

On an overall basis, 2010-2011 General Fund revenues of \$756.6 million (excluding the 2009-2010 Ending Fund Balance/2010-2011 Beginning Fund Balance) are expected to be approximately 4.1% below the 2009-2010 Adopted Budget level. The 2010-2011 Beginning Fund Balance of \$41.7 million is expected to be 72.7% below the 2009-2010 Adopted Budget level due primarily to the elimination of rebudgets that were carried over from 2008-2009 to 2009-2010 to complete projects. With the large change in the Fund Balance figure, the total 2010-2011 General Fund sources of funds of \$798.4 million are 15.3% below the 2009-2010 Adopted Budget level of \$942.2 million.

### ***General Fund Expenditures***

To estimate the General Fund expenditures, growth assumptions are developed for each of the General Fund expenditure categories, including Personal Services, Non-Personal/Equipment, City-Wide Expenses, Capital, Transfers, and Reserves. Total expenditures are projected at \$894.8 million for 2010-2011, which is 5.0% below the 2009-2010 Adopted Budget level of \$942.2 million. This change reflects the net impact of growth of 4.7% in the Personal Services category that is more than offset by a decline in the Non-Personal/Equipment category of 1.1% and a decline of 42.5% in the other expenditure categories (City-Wide Expenses, Capital, Transfers, and Reserves). This large decline primarily reflects the elimination of carryover rebudgets from 2008-2009 to 2009-2010 to complete projects and the fact that Earmarked Reserves have not been carried over to 2010-2011.

The largest cost category is Personal Services, which now represents almost three-fourths (\$657.5 million) of the City's base budget costs. Personal Services costs are broken down into three major components: Salaries and Other Compensation (\$455.3 million); Retirement (\$141.9 million); and Health and Other Fringe Benefits (\$60.2 million). For 2010-2011 the projection for Personal Services costs has been calculated at a detailed level by analyzing each of these cost components. To develop the 2010-2011 Personal Services projections, an extract of City's payroll system information as of August 2009 was used as the starting point to identify the salaries, current salary steps, and benefits of existing staff. These Personal Services costs are adjusted for scheduled step increases, agreed upon cost-of-living adjustments (COLAs) that are

## ANALYSIS (CONT'D.)

### Major Forecast Components (Cont'd.)

subject to negotiation, and any other salary-related adjustments. The Personal Services budget for each department is also adjusted to reflect anticipated vacancies during the year. In 2009-2010, because the City is experiencing a historically low number of vacant positions, a majority of General Fund departmental Personal Services vacancy savings factors have been revised downward in 2010-2011 at an additional cost of \$1.5 million to the General Fund. Following is a summary of the major assumptions used in the Personal Services projections:

- *Salaries and Other Compensation:* In this Forecast, a 2% cost-of-living salary increase has been included for employees represented by Municipal Employees' Federation (MEF) and Confidential Employees' Organization (CEO), as approved in their contract agreement with the City. There is no salary increase assumed in 2010-2011 for any other employee group reflecting the fact that there are no other negotiated agreements covering this period. Approval of any negotiated salary increases, without any offsetting increase in revenues or reduction in costs, will have the effect of driving up the City's General Fund shortfall. In this regard, consideration of salary increases is being treated as a resource allocation policy decision. The Forecast also assumes annual step increases for employees that have not reached the top step in their classification. The projected average growth rate associated with step increases alone is estimated at approximately 0.4%. This accounts for approximately \$2.6 million of the Personal Services costs in 2010-2011.
- *Retirement:* Retirement costs are calculated as a percentage of salary costs. In this Forecast, retirement costs have been adjusted for the impact of step increases and COLAs and estimated changes in the City's contribution rates to its two plans, Federated and Police/Fire Retirement. The projected changes in these contribution rates have resulted in an increase of approximately \$38.2 million in the General Fund for both the Federated (\$5.7 million) and Police/Fire (\$32.5 million) Retirement plans pension costs. In March 2009, the projected increase to the contribution rates was estimated to result in additional General Fund costs of \$51.7 million. This preliminary estimate had assumed a much greater increase to the City's contribution levels based on early projections provided by one of the Retirement Board's actuarial firms on the potential impact of investment losses to the Police/Fire Retirement Plan. Those potential impacts were also extrapolated for the Federated Retirement Plan to provide a scenario of what cost increases could be possible for that plan as well.

The rates set forth in this Forecast should still be considered preliminary, but do reflect the Retirement Department's best current rate projections based on an updated July 2009 actuarial study for the Police/Fire Retirement Plan that reflects lower investment losses and actuarial recommendations regarding lowering the net earnings assumptions for the Federated Plan. In addition, the second year of an approved five-year plan to phase-in the City's share of the General Fund annual required contribution for retiree health care benefits is included. It is also assumed that the City Council's decision to prepay the City's contributions into the two retirement funds in order to receive a rate discount will continue

## **ANALYSIS (CONT'D.)**

### **Major Forecast Components (Cont'd.)**

for 2010-2011. In total, for this Forecast, the City's contribution rates (pension and medical) are presumed to grow from 23.12% to 26.56% for the Federated Retirement Plan, from 25.92% to 40.70% for the Police Retirement Plan, and from 28.34% to 37.80% for the Fire Retirement Plan. It is important to note that all final retirement contribution rates are subject to approval by the two Retirement Boards, which is expected to occur in time to be included in the final 2011-2015 General Fund Forecast document released in February, 2010.

- *Health and Other Fringe Benefits:* Cost increases have been projected based on the scheduled increase to the City's contribution for employee health care of 8.3% effective January 1, 2010 and a projected 10% increase effective January 1, 2011. The value of this increase in 2010-2011 is \$3.8 million.

The remaining cost categories, Non-Personal/Equipment and Other Expenditures (City-Wide Expenses, Capital, Transfers, and Reserves) have also been calculated at a detailed level for 2010-2011. The process utilized by the Budget Office included eliminating one-time allocations that were approved in 2009-2010, annualizing all partial-year reductions or additions approved in 2009-2010, and incorporating adjustments for specific large Non-Personal/Equipment allocations (e.g., utilities, leases, contracted services and Police Department vehicle replacement). The Forecast also reflects adjustments to vehicle maintenance and operating costs, debt service payment obligations, and contractually required cost-of-living increases to major contracts. The Contingency Reserve has been adjusted consistent with the City Council policy of maintaining a Contingency Reserve equal to 3% of eligible expenditures.

For the Development Fee Programs (Planning, Building, Public Works and Fire), the 2010-2011 costs have been adjusted downwards by \$6.6 million in this Forecast to match the projected revenue, resulting in a net-zero impact on the City's General Fund Forecast. Each of the fee programs will be required to develop strategies that will address any shortfall in the 2010-2011 Proposed Operating Budget process. These strategies will likely include a combination of fee increases, expenditure reductions, and the use of portions of the Development Fee Programs Reserves.

### ***General Fund Services Eliminated in 2010-2011***

Approved as part of the 2009-2010 Adopted Budget, the expenditure budget in the 2010-2011 Forecast has been reduced by \$7.2 million and 71.9 positions have been eliminated for several services that were programmed to be reduced or eliminated effective July 1, 2010. These changes in services are summarized in the following table.

**ANALYSIS (CONT'D.)****Major Forecast Components (Cont'd.)****SERVICES ELIMINATED IN THE 2009-2010 ADOPTED BUDGET  
(Reductions Effective July 2010)**

Service	Savings	Positions
Six Satellite/Neighborhood Centers Closures	\$ 1,710,000	23.04
Horse Mounted Unit Elimination	1,330,000	8.00
Branch Library Hours Reduction (8 hours less)	1,199,000	16.40
Crime Prevention Unit Reduction*	673,000	6.00
Convention and Visitor's Bureau Subsidy	337,000	
Central Service Warehouse Closure	300,000	5.00
Wellness Program Pilot for City Employees	300,000	2.00
Transfer to Convention/Cultural Affairs Fund	250,000	
Community Based Organizations Reduction (additional 8%)	210,000	
Dr. Martin Luther King Jr. Library Service Point Reductions	190,000	2.50
Mexican Heritage Plaza Maintenance and Operations	156,000	
Audit Staffing Reduction	130,000	1.00
Rose Garden Maintenance Reduction	126,000	1.96
Police Management Consolidation	125,000	1.00
Fire Data Management Staffing	119,000	1.00
Expanded Strong Neighborhoods Initiative Staffing	0	4.00
<b>Total</b>	<b>\$ 7,155,000</b>	<b>71.90</b>

\*Per City Council approval of the Mayor's June Budget Message for 2009-2010, prior to implementing the Crime Prevention Unit Reduction, the City Manager will explore and report to the Public Safety, Finance and Strategic Support Committee on alternative service delivery models for City Council consideration.

***General Fund Committed Additions***

As has been the City's practice with the General Fund forecasts, cost estimates for a number of specific Committed Additions that address previous City Council direction are included in this 2010-2011 Preliminary Forecast. The "Committed Additions" category reflects projected additional funding required for additional Police Officers, transportation-related costs for County pocket annexations, and anticipated maintenance and operating costs for new capital projects approved in the Adopted Capital Improvement Program, including bond-financed libraries, community centers, parks and public safety facilities.

For the 2010-2011 Preliminary Forecast, "Committed Additions" are projected at \$7.8 million or 8.2% of the General Fund shortfall. Included in this allocation are 25 additional Police Officers at a cost of \$1.6 million (annualized cost of \$3.5 million), transportation related expenditures for County pocket annexations (\$180,000), and new parks and recreation facilities (\$857,000) including operating and maintenance costs for the new Edenvale Community Center and other park facilities. In addition, operations and maintenance funding for bond-financed libraries (\$2.4 million) including the new Bascom and Seven Trees libraries, parks (\$1.0 million) including the new Bascom and Seven Trees community centers, South San José Police Substation (\$1.6 million, annualized cost of \$2.7 million), and fire (\$35,000) facilities are included as part of this

## **ANALYSIS (CONT'D.)**

### **Major Forecast Components (Cont'd.)**

allocation. It should be noted that the allocation reflects revised opening dates for several facilities approved as part of the 2010-2011 Adopted Budget. For the South San José Police Substation, the revised opening date of March 2011 is assumed and additional staffing costs are included for nine non-sworn positions necessary to operate the facility (not included in prior Forecasts).

As these costs will continue to present challenges to the General Fund shortfall in 2010-2011 and anticipated in future years, a continuation of the City Council-approved strategy to defer or delay opening facilities or pursue alternative funding sources included in the 2009-2010 Adopted Budgets may be required. An evaluation of the project schedules and/or the staffing necessary to maintain and operate these facilities will be included in the upcoming budget process.

### **Revenues/Expenditures Not Reflected in Forecast Model**

It is important to note that there are a number of significant factors that may impact the City's General Fund condition during the next fiscal year that are not reflected in this forecast model. These include the following:

- *State Budget Actions:* The Forecast does not assume any financial impact from State budget balancing actions that may negatively impact the City.
- *Unmet/Deferred Infrastructure and Maintenance Needs:* As reported to the City Council in June 2009, the annual ongoing need in the General Fund totals \$38.8 million assuming a one-time General Fund backlog of approximately \$458 million is met. The Forecast does not assume additional funding to address this need.
- *San Jose Redevelopment Agency Funding:* The Forecast assumes continued San Jose Redevelopment Agency funding for City support services as well the reimbursement for the Convention Center debt service payment. Given the fiscal challenges facing the Redevelopment Agency, it is likely that funding budgeted for City support services will be reduced in 2010-2011. The proposed funding levels for 2010-2011 will be refined and updated based on discussions with the Redevelopment Agency over the next several months. Any corresponding budget proposals based on these discussions will be brought forward for City Council consideration as part of the 2010-2011 Proposed Operating and Capital Budgets. The Administration's goal will be to minimize any General Fund impacts from those potential actions.
- *County Annexations:* The potential costs and revenues associated with the County properties that are planned to be annexed into San José are not fully reflected in this Forecast model. The Forecast currently includes the transportation maintenance costs for the annexed areas.
- *One-Time Revenues/Expenses:* Because the Forecast compares ongoing revenues and expenditures, it does not factor in one-time funding sources or one-time expenditure needs.

## **NEXT STEPS**

The next major steps in the budget development process include the following:

### **November 2009**

- City Council Special Meeting on 2010-2011 Budget Planning

### **January 2010**

- Community Budget Survey
- Neighborhood Association/Youth Commission Priority Setting Session
- 2009-2010 Mid-Year Budget Review Released

### **February 2010**

- 2010-2011 City Manager's Budget Request and 2011-2015 Five-Year Forecast and Revenue Projections for the General Fund and Capital Improvement Program Released
- Updated General Fund Structural Deficit Elimination Plan Released

### **March 2010**

- 2010-2011 Mayor's March Budget Message Released, Public Hearing, 2010-2011 Mayor's March Budget Message Amended/Approved by City Council

### **April 2010**

- 2010-2011 Proposed Capital Budget and 2011-2015 Capital Improvement Program Released

### **May 2010**

- 2010-2011 Proposed Operating Budget and 2010-2011 Proposed Fees and Charges Released
- Council District Community Meetings to Discuss 2010-2011 Proposed Budget
- City Council Study Sessions and Initial Public Hearing on 2010-2011 Proposed Operating Budget, 2011-2015 Proposed Capital Budget and Capital Improvement Program, and 2010-2011 Proposed Fees and Charges

### **June 2010**

- 2010-2011 Mayor's June Budget Message Released, Final Public Hearing, 2010-2011 Mayor's June Budget Message Amended/Approved by City Council
- 2010-2011 Operating Budget, 2010-2011 Capital Budget and 2011-2015 Capital Improvement Program, and 2010-2011 Fees and Charges Adopted by City Council

October 30, 2009

**Subject: 2010-2011 PRELIMINARY GENERAL FUND FORECAST**

Page 12

## **CONCLUSION**

The 2010-2011 Preliminary General Fund Forecast is intended to serve as a starting point in the development of the 2010-2011 Proposed Budget. This early data is provided to assist in planning efforts and will be refined over the next several months as additional information becomes available. It must be emphasized that the forecast figures presented in this document are particularly tenuous. Given the great uncertainty regarding the depth and length of the current economic downturn, changes to these estimates likely will be necessary and will be incorporated into the formal 2011-2015 General Fund Forecast that is scheduled to be released in February 2010. This later and updated forecast will provide a more in-depth analysis of revenue and expenditure trends and will present optimistic and pessimistic cases that will illustrate the impacts of lower or higher revenue and expenditure growth on the City's General Fund. In addition, base budget estimates will continue to be refined through the release of the City Manager's 2010-2011 Proposed Budget that is scheduled to be released in May, 2010.

With the 2010-2011 budget, the City of San Jose will be facing its ninth consecutive year of General Fund budget shortfalls. The \$96.4 million preliminary General Fund shortfall estimate is the largest gap the City has faced in any single year since 2002-2003. This will be extremely difficult given the budget actions that have already been implemented in previous years. Beginning with the November 5<sup>th</sup> City Council Special Meeting, the Administration will be engaging the City Council and various stakeholders early in this budget process to develop strategies to address this significant challenge.



DEBRA FIGONE  
City Manager